Homework 1

1. .Give three explanations for the law of demand and an example of each

2. Suppose the price of beef fell dramatically as the price of feed grain decreased. Use the income effect and the substitution effect to explain why there was an increase in the quantity of beef purchased.

3. What effect should each of the following have upon the demand for portable music players in a competitive market? Graph and explain your reasoning in each case

(a) the development of improved, low-priced devices that compete with music players

(b) an increase in population and incomes

(c) a substantial increase in the number and quality of music for players

(d) consumer expectations of substantial price increases in music players

4. Describe and give a reason for the law of supply.